

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA**

UNITED STATES OF AMERICA)

v.)

CHARLES E. HAYS, JR.
a/k/a "Chuck Hays"

Defendant.)

DOCKET NO. 09-3691

Violations:

18 U.S.C. § 1341, 2

18 U.S.C. § 1343, 2

31 U.S.C. § 5324

18 U.S.C. § 981(a)(1)(C)

18 U.S.C. § 982(a)(1) and (a)(2)(A)

STATEMENT OF THE OFFENSE

At all times relevant to the charged offense:

1. Defendant CHARLES E. HAYS, JR., also known as "Chuck Hays," (HAYS) was a resident of Rosemount, Minnesota.

2. Crossfire Trading LLC ("Crossfire") is a domestic limited liability company incorporated in Minnesota on March 27, 2006. The defendant was the President of Crossfire and operated Crossfire out of his residence at 1294 121st Street West, Rosemount, Minnesota, 55068.

THE SCHEME

3. From in or about January 2001, and continuing through in or about February 2009, HAYS devised and participated in a scheme whereby he solicited individuals to invest money with him and/or Crossfire. To induce potential investors to invest money with him and/or Crossfire, HAYS held himself out to be a day trader in stock index futures and other futures contracts. He falsely represented to potential investors that his trading was consistently profitable and earned approximately three percent (3%) per month. Based on these material misrepresentations, many potential investors chose to invest money with HAYS and/or Crossfire.

SEARCHED

APR 14 2009

U.S. DISTRICT COURT ST. PAUL

4. Once an individual decided to invest money with Crossfire, HAYS gave the investor a document entitled "Investment Agreement Between [Customer Name] and Crossfire Trading LLC," setting forth the terms of investment with Crossfire. Among other things, the agreement misrepresented the goal and activities of Crossfire and how investor profits and losses would be handled. The agreement was executed by the investor and by HAYS as President of Crossfire.

5. According to the agreement, Crossfire is "a day-trading company whose primary activity is short term (intra-day) trading of futures. The trading activities are limited to registered equities traded on the CME, CBOE and NYMEX." However, instead of using investor funds to trade in the equities listed in the investor agreement, HAYS diverted and converted certain of the funds obtained from investors for his own personal use and benefit or other unauthorized purposes.

6. As part of the scheme and artifice, HAYS instructed investors to either mail him a check for the amount that individual wanted to invest or to wire the money to Crossfire's account at Wells Fargo Bank.

7. HAYS created and sent investors fraudulent monthly "Crossfire Investor Summaries" purportedly showing their investments and any gains thereon. HAYS would often email the statements to investors or post them on Crossfire's website, for which HAYS had given investors user identification numbers and passwords.

8. When investors asked HAYS for details regarding his trading or his investment philosophy, HAYS misrepresented to investors that he traded through an account in the name of Crossfire at Dorman Trading LLC ("Dorman"), a registered brokerage firm located in Chicago, Illinois. HAYS also stated that Crossfire's investors' funds were maintained in Crossfire's

Dorman account, that Dorman cleared Crossfire's trades, and that Crossfire's Dorman account had been opened by NDX Futures ("NDX"), an introducing brokerage firm which assists customers in opening futures trading accounts.

9. To support these misrepresentations, HAYS showed several investors a fraudulent November 2008 Dorman account statement which he claimed was for Crossfire's account with Dorman. The statement showed trading in CME Group E-mini index futures and a month-end balance of approximately \$37 million. HAYS misrepresented to investors that their investments were held in that account.

10. In order to give legitimacy to HAYS' fraudulent activities, HAYS used funds received from new investors to make payments to earlier investors.

MAIL FRAUD

11. On or about March 29, 2008, HAYS, for the purpose of executing the above-described scheme and artifice to defraud, did knowingly cause an investor to send by the Postal Service, or private and commercial interstate carrier, an executed Crossfire Investor Agreement and a \$100,000 check from the investor payable to Crossfire.

WIRE FRAUD

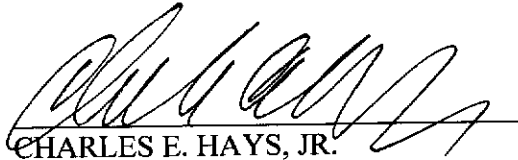
12. On or about March 4, 2008, HAYS, for the purpose of executing the above-described scheme and artifice to defraud, caused to be transmitted a \$2,000,000 wire transfer from an investor's account at Jeffries & Co. through J.P. Morgan in New York, NY to Crossfire account #XXXXXXXX746 at Wells Fargo Bank in San Francisco, CA.


STRUCTURING

13. On or about February 2, 2009, in connection with the above-described fraudulent scheme, HAYS wrote and cashed a \$9,000 check at the Wells Fargo Bank branch at 1435 Cedar Ave., Apple Valley, MN for the purpose of evading the currency reporting requirements.

The preceding statement is a summary, made for the purpose of providing the Court with a factual basis for my guilty plea to the charges against me. It does not include all of the facts known to me concerning criminal activity in which I and others engaged. I make this statement knowingly and voluntarily and because I am in fact guilty of the crimes charged.

DATE: 4-9-09


CHARLES E. HAYS, JR.
Defendant


TIMOTHY WEBB, ESQ.
Attorney for Defendant